

Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements

Department of the Treasury
P.O. Box 2508 - Room XXXX
Cincinnati, Ohio 45201

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Date: May 12, 2009

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

UIL 4945.04-04

LEGEND

B= Name of Organization
C= Educational I.
D= Geographic Area
x= Amount of Scholarship

Dear

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated January 27, 2009.

Our records indicate that the B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that the B will be awarding 1 to 4 scholarships in the amount of x that will be payable directly to the C. These awards may become renewable for up to an additional three years upon demonstration of good standing, progress towards a degree, and maintenance of at least a 3.0 grade point average. The scholarship(s) is available to any high school senior attending one of the three high schools in D who (i) has at least a 3.0 grade point average, (ii) has been active in extra-curricular and/or leadership activities, and (iii) has applied for admission to the C. The award process will be publicized and conducted primarily through the counselors at the high schools.

Scholarship recipients shall be selected based on the following criteria:

- Grade Point Average
- Class Rank
- ACT or SAT scores
- 500 word essay
- 300 word discussion of life and educational goals

- School Activities
- Honors or Awards
- Community Service
- Work Experience
- Two Letters of Recommendation

The Foundation has implemented two policies that eliminate any private benefit: (1) family members of any officer, director or member of the Scholarship Committee are not eligible to receive the award, and (2) no person shall serve on the Scholarship Committee if such person has a family member who is a high school senior at one of the participating high schools. The scholarship program will not discriminate on the basis of race, gender, religious affiliation or ethnicity.

The Selection Committee is composed of five individuals who are selected from the community which would include at least one teacher from one of the designated high schools, as well as the founder and president of the B.

No funds will ever be paid directly to the students. At such time as the B is able to offer renewable scholarships, the B will withhold payment of funds if the required reports are not received and will make further investigation into the propriety of all previous payments. Similarly, the B will investigate any reports that might indicate or suggest any impropriety with or misuse of the scholarship payments. The B will require an academic transcript showing courses taken and grades received and proof of good academic standing, progress towards a degree, and a minimum 3.0 GPA before such individual will be able to receive funding for the next year of college.

Scholarship funds will be disbursed directly to the recipient in the form of an absolute grant. As a condition of the scholarship, each recipient must sign an Acceptance Letter in which the recipient agrees to (1) use the funds solely for legitimate educational expenses, (2) return to the Foundation any funds that the recipient does not use for such purposes, and (3) file a Report with the Selection Committee.

The Selection Committee shall:

- Verify the recipient's enrollment.
- Verify the accreditation of the institution or program.
- Request any documentation the Selection Committee determines is necessary to support the recipient's use of the funds.
- Investigate if a recipient fails to file a Report or respond to a request for additional information.

The organization agrees to maintain records which include the following:

- a. The application materials from the award recipients
- b. All receipts and disbursements relating to award payments
- c. All pertinent accounting records.
- d. Information used to evaluate the qualification of potential grantee.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b) (1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director of Exempt Organizations
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